

Venezuela - US Sanctions - Update

29th August 2017

Further to our News Item of [16 August 2017](#) detailing the expansion of US sanctions against the Venezuela, President Trump issued another Executive Order on 24 August 2017 prescribing additional sanctions against the Government of Venezuela and which includes the state oil company PDVSA. The text of the E.O. can be found [here](#).

However, apart from one issue concerning Members based in or trading from the US who deal with PDVSA, the effect on shipping appears to be limited and the Club's US attorneys Freehill Hogan & Mahar have advised as follows:

"[We] have reviewed the August 24, 2017 Executive Order and, with one exception, it does not impose any sanctions that would directly impact shipping. The exception relates to PDVSA. Section (1)(a)(i) of the E.O. provides that no U.S. person, nor any person within the U.S., can engage in any transaction with PDVSA for new debt with a maturity greater than 90 days. Arguably, that means that any U.S. entity, or an entity acting from within the U.S., who entered a charter party with PDVSA would be in violation of this E.O. if the charter party contained terms which gave PDVSA more than 90 days to pay freight or demurrage. However, such a term extending payment for 90 days would be unusual.

Section 1(a)(ii) of the E.O. is a similar provision prohibiting U.S. persons or any person within the U.S. from engaging in any transaction with the Government of Venezuela for new debt with a maturity of greater than 30 days, or new equity. The E.O. defines the Government of Venezuela as the Government, plus "... any political subdivision, agency, or instrumentality thereof, including the Central Bank of Venezuela and PDVSA, and any person owned or controlled by, or acting for or on behalf of, the Government of Venezuela." As mentioned above, the E.O. sets a separate debt maturity threshold for PDVSA of 90 days, as opposed to the 30 day limit for the Government.

Also, Citgo, the U.S. oil company which is owned by the Government of Venezuela, would be included in the definition of the "Government of Venezuela" and, therefore, would normally be subject to the 30 day limit on debt maturity, except for the fact that by a general license issued by OFAC in conjunction with the E.O., all transactions with the Government of Venezuela which are prohibited in the E.O. are authorized with respect to Citgo. Therefore, Citgo has been effectively exempted from the prohibitions of the E.O."

OFAC have issued a set of FAQs dealing with the impact of this latest E.O. and they can be found [here](#).

A helpful summary of recent developments in US sanctions against Venezuela can also be found in this [Client Alert](#) from the Club's US attorneys Freehill, Hogan & Mahar.

Any Member with specific questions concerning the impact of these measures and any other sanctions matters should contact the Managers. The Club also maintains a dedicated sanctions webpage, which can be found [here](#).

The West of England Ship Owners Mutual Insurance Association (Luxembourg)
R.C.S. Luxembourg B 8963

Managers: West of England Insurance Services (Luxembourg) S.A.
Registered Office: 31 Grand-Rue, L-1661 Luxembourg, G.D. Luxembourg
T +(352) 4700671 **F** +(352) 225253

UK Branch: Tower Bridge Court, 226 Tower Bridge Road, London SE1 2UP
T +(44) (0)20 7716 6000 **F** +(44) (0)20 7716 6100
E mail@westpandi.com **W** www.westpandi.com
